

Message Text

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PAGE 01 KINGST 02884 292136Z
ACTION ARA-14

INFO OCT-01 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00
DOTE-00 EB-08 INR-10 NSAE-00 FAA-00 L-03 ABF-01
OMB-01 TRSE-00 /040 W
-----028679 300845Z /65
R 292115Z MAR 78
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC 0425

C O N F I D E N T I A L KINGSTON 2884

E.O. 11652: GDS

TAGS: EIND, JM
SUBJECT: AMERICAN AIRLINES AND JAMAICA

REFERENCE: STATE 079430

1. BRUCE JARMAN, LOCAL MANAGER FOR AMERICAN AIRLINES, CALLED ON EMBOFFS EARLIER THIS MONTH TO INFORM US THAT AMERICAN AIRLINES, LIKE OTHER FOREIGN AIRLINES IN JAMAICA, ARE HAVING A PROBLEM OF EXCHANGING LOCAL EARNINGS INTO HARD CURRENCY. AMERICAN, ALONG WITH BRITISH AIRWAYS, AIR CANADA, AND LUFTHANSA REPRESENTATIVES HAD MET AND DECIDED AT LEAST TEMPORARILY ON MAKING A JOINT APPROACH TO THE JAMAICAN GOVERNMENT. TOTAL AMOUNT ACCUMULATED BY ALL FOUR AIRLINES IS \$8-10 MILLION U.S. WHILE NOT THREATENING PULLOUT, JARMAN DID POINT OUT THAT FOREIGN AIRLINES COULD NOT CONTINUE TO OPERATE IN JAMAICA IF THEIR FUNDS WERE TO BE BLOCKED.

2. JARMAN SAID FOREIGN EXCHANGE IS BEING SIPHONED OFF ILLEGALLY THROUGH: (A) AIRLINE TICKETS BOUGHT HERE FOR JAMAICAN DOLLARS AND LATER CASHED ABROAD FOR FOREIGN CURRENCY; (B) PREPAID TICKETS BEING BOUGHT HERE INSTEAD OF ABROAD. AIRLINES, HE SAID, WERE ACTING TO PUT AN END
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINGST 02884 292136Z

TO THIS. EMBOFFS SUGGESTED THEY SHOULD TELL THIS TO GOJ TO GET CREDIT FOR IT AND OFFER TO HELP WORK OUT OTHER WAYS TO ASSIST GOJ THAT COULD BE HELPFUL TO AIRLINES IN THE LONG RUN.

3. EMBOFFS EXPRESSED UNDERSTANDING OF JARMAN'S POSITION AND APPRECIATION FOR KEEPING US INFORMED. AT SAME TIME,

EMBOFFS NOTED THAT IT IS WELL KNOWN THAT GOJ IS IN DEEP DIFFICULTY OVER FOREIGN EXCHANGE AND CANNOT MEET ALL ITS OBLIGATIONS WHEN DUE. SINCE JARMAN TOLD US THAT AMERICAN OPERATIONS WERE ALSO PROFITABLE AND LONG TERM PROSPECTS WERE GOOD, EMBOFFS MENTIONED TO HIM THAT AIRLINE REPRESENTATIVES SHOULD CONSIDER WHAT OPTIONS ARE OPEN TO THEM IN PRESENT SITUATION. AIRLINES HAVE THE RIGHT AND MUST PRESS FOR CONVERSION RIGHTS. AT SAME TIME, TO PROTECT THEIR LONG-TERM INTERESTS, IT MIGHT BE HELPFUL TO ACKNOWLEDGE TO GOJ THAT THEY RECOGNIZED DIFFICULT SITUATION GOVERNMENT FACING WITH FOREIGN EXCHANGE, TO OFFER THEIR COOPERATION BUT REQUEST TOKEN PAYMENT FOR PRESENT UNTIL GOVERNMENT IN A BETTER POSITION TO MEET ITS FULL OBLIGATIONS. TIME FACTOR WAS SOMETHING EMBOFFS WOULD NOT JUDGE BUT AIRLINES SHOULD BE ABLE TO.

4. WHILE JARMAN DID NOT SAY HE WOULD ACT ON EMBOFFS' INFORMAL REMARKS, HE DID ACKNOWLEDGE THAT THEY MADE SOME SENSE.

5. BELIEVE THIS LINE OF THOUGHT COULD BE HELPFUL TO OTHER AMERICAN INTERESTS HERE WITH THE SAME PROBLEM. IF WE BEGIN PUSHING GOVERNMENT ON CASE BY CASE BASIS TO FULFILL WHAT ARE, AFTER ALL, ITS LEGAL OBLIGATIONS IN FOREIGN EXCHANGE FIELD, WE WILL END UP PERHAPS GETTING SATISFACTION FOR ONE AMERICAN COMPANY AT THE EXPENSE OF OTHERS.
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PAGE 03 KINGST 02884 292136Z

THEREFORE, IT WOULD SEEM APPROPRIATE FOR US TO BE GIVING THE SAME ADVICE TO ALL AMERICAN FIRMS IN THIS PREDICAMENT.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: BLOCKED ASSETS, AIRLINES, FOREIGN EXCHANGE, AIR ROUTES
Control Number: n/a
Copy: SINGLE
Draft Date: 29 mar 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 20 Mar 2014
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978KINGST02884
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780137-1180
Format: TEL
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780314/aaaaalsm.tel
Line Count: 97
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: b61afebb-c288-dd11-92da-001cc4696bcc
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 78 STATE 79430
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 19 jul 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3172561
Secure: OPEN
Status: NATIVE
Subject: AMERICAN AIRLINES AND JAMAICA
TAGS: EIND, JM, US, AMERICAN AIRLINES
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/b61afebb-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014